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CHINA: Indications of controversy over the sensitive issue of liberalizing trends in science and education are multiplying in advance of the Tenth Party Congress.

In a series of articles beginning on 19 July, authorities in Liaoning Province have sharply criticized the reinstatement of college entrance examinations, which were abolished during the Cultural Revolution. One article charged that the exams are a "gimmick" designed to screen out the children of workers and to turn China's academic institutions into training grounds for "bookworms" and "intellectual aristocrats." Moreover, rumors were circulating in Peking as early as April that Liaoning boss Chen Hsi-lien, who is also a Politburo member, had criticized the government for moving too fast with "liberalization."

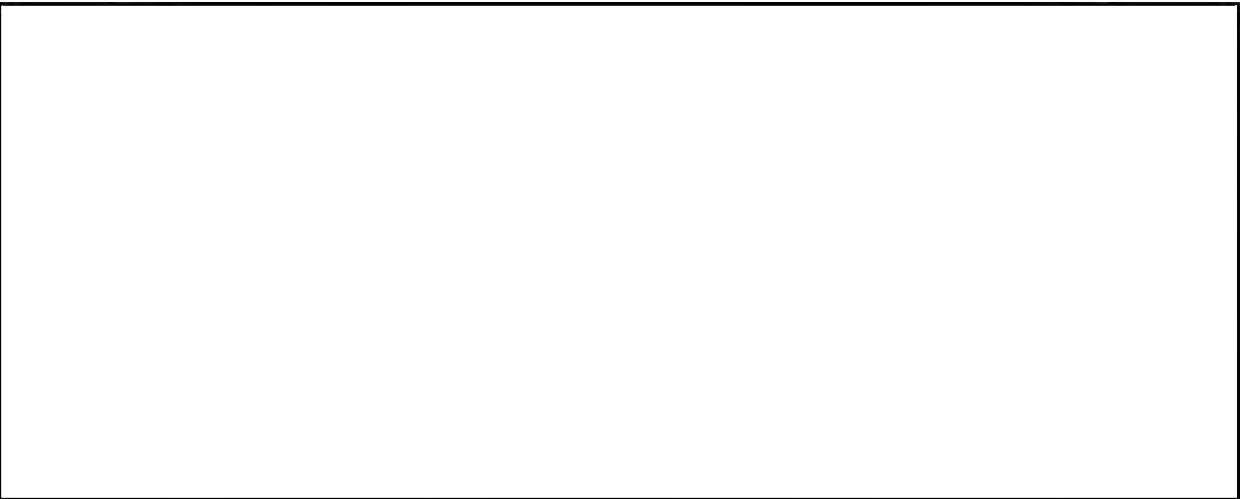
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debate over conflicting views on university policy ended in a stalemate at a national conference late last year. The contending groups split between those favoring a return to a more traditional university system and those arguing for retention of the heavily politicized and ideological approach advocated during the Cultural Revolution.

Reports by two Chinese professional groups that toured the US last year have also drawn critical comment within China. In late June, Vice Premier Li Hsien-nien told a visiting US group that he had encouraged a delegation of Chinese doctors to speak out candidly about their experiences in the US. Li confided, however, that the doctors' report had caused critics at home to ask whether "only American things are good and Chinese things not good?"

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At the heart of these controversies is the vexed issue of "red," i.e., politically motivated activists, versus "expert" that has plagued China for nearly two decades. The pendulum swung far in the direction of the "red" non-experts during the Cultural Revolution, and has been swinging back in favor of trained and well-educated "experts" capable of tackling China's myriad problems. This later trend was almost certain to be opposed by Madame Mao and the militants of the Cultural Revolution period; others may have joined in for tactical reasons in advance of the party congress. Chou's ability to suppress the controversial scientific report suggests that no major reversal of current trends is in prospect.

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It is significant that the burgeoning exchange program with the US has so quickly impacted on long-standing domestic controversies, but the central question of the opening to Washington does not in itself seem to be at issue at this juncture. On 29 July, an NCNA report on the visit of yet another delegation--this one of journalists--commented that the Sino-US rapprochement is "irreversible."

C WARSAW PACT: The bland communique on the Crimean summit meeting of Warsaw Pact leaders reflects a least common denominator approach to sensitive intra bloc issues.

China, potentially the most controversial topic, was treated only obliquely. The communique warns that constant vigilance is necessary against those who are "creating distrust and hostility among peoples." Subsequent language, however, suggests that the participants adopted the Romanian formulation, which calls for "close fraternal cooperation of Communists of all countries."

The communique emphasizes the success that Brezhnev's policy of detente has already achieved. His contribution was "highly assessed" and the leaders expressed their unanimous determination to continue working in the direction he has set. They endorsed Moscow's goal of ending the CSCE this year with a summit meeting and called for "wide and varied contacts between the public of all countries." The warning that such contacts must develop in the framework of strict respect for "sovereignty and noninterference" reflects Soviet sensitivity on the freer movement issue.

The communique thus contains little with which the individual leaders would be likely to disagree. Its platitudinous language suggests that the summit was called to produce a show of unity around Soviet foreign policy rather than to resolve contentious issues.

INDIA: New Delhi has purchased about 1.5 million tons of wheat and coarse grains, principally from the US, since mid-June, according to the India Supply Mission in Washington. This is far short of the 4.5 million tons that the Indians hope to obtain before the harvest begins in late October. Meanwhile, India is experiencing another erratic monsoon. Below-normal rainfall has been reported in some important foodgrain-producing areas in the southeast, and drought conditions have prevailed since late June in two northern states, reportedly causing substantial damage to recently planted crops. Because the monsoon season will last until the end of September, it is still too early to forecast its impact on the fall harvest.

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JAPAN - SRI LANKA: A \$13-million loan to Sri Lanka is Japan's first untied commodity aid loan to any foreign country. The agreement, signed on 20 July, allows Sri Lanka to buy goods from developing countries and Japan, but not from other developed countries. The practical economic effect of this is to restrict most purchases to Japanese goods. Developing countries generally cannot provide the kinds and quality of products that can successfully compete with Japanese goods.

Tokyo has been urged by aid recipients and other donor countries to allow worldwide procurement. The loan to Colombo is a step toward this goal, as is a \$153-million project loan to Thailand--also partially untied. [REDACTED]

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JORDAN: Amman has announced the removal of a 10-percent duty on imports from the West Bank. The duty was imposed to protect Jordanian farmers from Israeli-subsidized West Bank produce and to stem the outflow of dinars to the West Bank. Although the desire to make a conciliatory gesture toward the West Bank Palestinians seems to be the main reason for canceling the duty, the prospect of increasing the amount of agricultural products to the drought-ravaged East Bank also may have influenced the Jordanian Government.

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Laos: Prime Minister Souvanna informed the US charge in Vientiane on 31 July that the new Lao peace agreement will probably be signed next week. He said that the two sides have reached agreement on all "major" issues, but that the drafting of the final text was proving to be more difficult than anticipated. [redacted]

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South Asia: High-level political talks between India and Pakistan were adjourned yesterday and are to resume in New Delhi on 18 August. According to a member of the Indian delegation, virtually no progress was made in the week of meetings. Among the issues discussed were repatriation of Pakistani prisoners held by India, plans by Bangladesh to try some of the prisoners for war crimes, and Pakistani recognition of Dacca. [redacted]

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Saudi Arabia: The new annual budget beginning this month has been set at \$6.2 billion, an increase of nearly 70 percent over last year. Much of the rise is traceable to a \$3.85-billion development budget, more than double last year's appropriation. [redacted]

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*These items were prepared by CIA without consultation with the Departments of State and Defense.

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